

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS
SCHEDULE OF FINDINGS

JUNE 30, 2009 AND 2008

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COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Robert Mulder	Chairperson	City of Primghar
Tim Devitt	Vice-Chairperson	City of Sanborn
Mike Otto	Member	City of Paullina
Steve Leng	Member	City of Hartley
Jim Norton	Member	At Large
D. J. Weber	Manager	

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
RICHARD R. MOORE, C.P.A.
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W.J. HUNZELMAN, C.P.A. 1921-1997

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Independent Auditor's Report

To the Members of Community Cable
Television Agency of O'Brien County:

We have audited the accompanying financial statements of Community Cable Television Agency of O'Brien County (the Agency) as of June 30, 2009 and 2008. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2009 and 2008, and the respective changes in its financial position, and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2009, on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Agency has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the financial statements.

December 15, 2009

Hunzelman, Putzier & Co.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY

BALANCE SHEETS

JUNE 30, 2009 AND 2008

Exhibit A

	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents - unrestricted	\$ 220,988	\$ 242,576
Accounts receivable - customers	31,792	14,379
Accounts receivable - access fees	204,119	272,200
Accounts receivable - other	24,103	82,015
Accrued interest receivable	3,505	5,334
Prepaid expenses	48,107	31,247
Total current assets	<u>532,614</u>	<u>647,751</u>
Non-current assets:		
Cash and cash equivalents - restricted	200,000	200,000
Temporary cash investments - restricted	300,000	300,000
Capital assets at cost,		
less accumulated depreciation		
of \$193,062 and \$124,205 (Note 4)	<u>278,460</u>	<u>325,566</u>
Total noncurrent assets	<u>778,460</u>	<u>825,566</u>
Total assets	<u>\$ 1,311,074</u>	<u>\$ 1,473,317</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 154,625	\$ 257,757
Accrued payroll and payroll taxes	18,230	16,482
Accrued vacation	8,771	9,750
Accrued sales tax	-	7,819
Accrued excise tax	-	1,170
Accrued property taxes	17,978	20,570
Customer prepayments	792	1,264
Customer deposits	22,150	21,325
Total current liabilities	<u>222,546</u>	<u>336,137</u>
Long-term liabilities:		
Liability for post retirement benefits (Note 6)	<u>92,947</u>	<u>98,984</u>
<u>NET ASSETS</u>		
Invested in capital assets	278,460	325,566
Restricted	500,000	500,000
Unrestricted	217,121	212,630
Total net assets (Note 5)	<u>995,581</u>	<u>1,038,196</u>
Total liabilities and net assets	<u>\$ 1,311,074</u>	<u>\$ 1,473,317</u>

See notes to financial statements.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

Exhibit B

	<u>2009</u>	<u>2008</u>
<u>OPERATING REVENUES</u>		
Cable revenue	\$ 831,594	\$ 730,094
Telephone revenue	1,028,245	940,068
Carrier access fee revenue	396,890	826,853
Internet revenue	441,917	414,782
Modem purchases and rentals	29,924	26,524
Other operating revenues	26,298	3,633
Total operating revenues	<u>2,754,868</u>	<u>2,941,954</u>
<u>OPERATING EXPENSES</u>		
Cable services	605,296	510,135
Telephone services	291,979	249,018
Carrier access fees	152,826	262,009
Internet services	140,644	140,505
Billing fees	52,447	52,054
Salaries	334,685	335,875
Employee benefits	120,889	129,789
Repairs and maintenance	230,553	363,406
Oil and gas	10,978	16,138
Advertising and marketing	20,617	20,185
Professional fees	51,616	24,030
Property taxes	17,978	20,570
Utilities	39,725	37,364
Postage and shipping	3,369	4,039
Office supplies	2,249	7,949
Meeting expenses	2,184	5,785
Insurance	13,772	12,627
Education and training	5,980	-
Operating supplies	121	1,487
Depreciation	68,857	53,909
Equipment rental	161	244
Telephone	8,757	13,329
Service agreements	46,170	44,332
Clothing allowance	-	764
Bad debt expense	6,528	1,887
Dues and subscriptions	3,468	3,209
Board fees	2,700	4,350
Miscellaneous	1,641	1,300
Total operating expenses	<u>2,236,190</u>	<u>2,316,289</u>
Operating income	518,678	625,665

(Continued)

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

Exhibit B
(Continued)

	<u>2009</u>	<u>2008</u>
<u>NONOPERATING REVENUES</u>		
Interest income	\$ 17,528	\$ 30,492
Change in net assets	536,206	656,157
Net assets - beginning of year	1,038,196	927,104
Residual equity transfers to member cities	<u>(578,821)</u>	<u>(545,065)</u>
Net assets - end of year	<u>\$ 995,581</u>	<u>\$1,038,196</u>

See notes to financial statements.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

Exhibit C

	<u>2009</u>	<u>2008</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Cash received from customers	\$ 2,752,745	\$ 2,780,487
Cash payments to suppliers for goods and services	(1,732,276)	(1,682,313)
Cash payments to employees for services	(460,842)	(432,749)
Net cash provided by operating activities	<u>559,627</u>	<u>665,425</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Payments to member cities	(578,821)	(545,065)
Purchase of capital assets	(21,751)	(223,832)
Net cash used by capital and related financing activities	<u>(600,572)</u>	<u>(768,897)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Sale of investments	300,000	300,000
Purchase of investments	(300,000)	(300,000)
Interest received	19,357	31,353
Net cash provided by investing activities	<u>19,357</u>	<u>31,353</u>
<u>NET DECREASE IN CASH AND CASH EQUIVALENTS:</u>	(21,588)	(72,119)
Cash and cash equivalents at beginning of year	<u>442,576</u>	<u>514,695</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	<u>\$ 420,988</u>	<u>\$ 442,576</u>
<u>RECONCILIATION OF CASH AND CASH EQUIVALENTS</u>		
Unrestricted	\$ 220,988	\$ 242,576
Restricted	200,000	200,000
Total	<u>\$ 420,988</u>	<u>\$ 442,576</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating income	\$ 518,678	\$ 625,665
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	68,857	53,909
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	108,580	(208,911)
Decrease (increase) in prepaid items	(16,860)	8,878
Increase (decrease) in payables	(103,132)	153,314
Increase (decrease) in other liabilities	(16,496)	32,570
Total adjustments	<u>40,949</u>	<u>39,760</u>
Net cash provided by operating activities	<u>\$ 559,627</u>	<u>\$ 665,425</u>

See notes to financial statements.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

1. Summary of Significant Accounting Policies

Community Cable Television Agency of O'Brien County (the Agency) was formed in 1996 pursuant to the provisions of Chapter 28E of the Code of Iowa. The Agency was formed to manage, administer, operate and maintain jointly owned facilities and equipment for the purpose of providing cable television, telephone, and internet services to the citizens of the participating communities.

The Agency is governed by a Board consisting of five representatives serving on staggered six-year terms. There is one representative from each of the following governmental entities: the City Council of Primghar, the Board of Trustees of the Sanborn Electric and Telecommunications Utility, the City Council of Hartley, and the City Council of Paullina. The fifth representative is appointed by mutual agreement of the majority of the representatives from the governmental entities noted above.

The Agency's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the Agency has included all funds. The Agency has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Agency are organized as an enterprise fund. Enterprise funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when they occur and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Agency's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

D. Assets, Liabilities, and Net Assets

The following accounting policies are followed in preparing the balance sheets:

Cash and Cash Equivalents - The Agency considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2009 and 2008, include certificates of deposit of \$300,000.

Capital Assets - Capital Assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Furniture and equipment is being depreciated over a five to ten year life.

The cost of repairs and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Compensated Absences - Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. The Agency's liability for accumulated vacation has been computed based on rates of pay in effect at June 30, 2009.

2. Cash and Investments

The Agency's deposits in banks at June 30, 2009 and 2008, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Agency; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Agency had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement Number 3 as amended by Statement Number 40.

Interest rate risk - The Agency's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Agency.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

3. Pension and Retirement Benefits

The Agency contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members are required to contribute 4.10% of their annual covered salary and the Agency is required to contribute 6.35% of annual covered payroll. Contribution requirements are established by state statute. The Agency's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007, were \$21,165, \$19,141, and \$17,942 respectively, equal to the required contribution for each year.

4. Capital Assets

A summary of capital assets at June 30, 2009 and 2008, is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Furniture and equipment	\$ 449,771	\$ 21,751	\$ -	\$ 471,522
Less accumulated depreciation	<u>124,205</u>	<u>68,857</u>	<u>-</u>	<u>193,062</u>
Net	<u>\$ 325,566</u>	<u>\$ (47,106)</u>	<u>\$ -</u>	<u>\$ 278,460</u>

5. Net Assets

The net assets are allocated to the various members as follows:

	Hartley	Paullina	Primghar	Sanborn	Total
Contributed capital	<u>\$ 100,967</u>	<u>\$ 73,339</u>	<u>\$ 59,031</u>	<u>\$ 83,791</u>	<u>\$ 317,128</u>
Retained earnings at June 30, 2008	205,202	156,387	134,275	225,204	721,068
Change in net assets July 1, 2008 to June 30, 2009	164,770	154,897	166,167	50,372	536,206
Residual equity transfers	<u>(120,646)</u>	<u>(129,104)</u>	<u>(138,174)</u>	<u>(190,897)</u>	<u>(578,821)</u>
Retained earnings at June 30, 2009	<u>249,326</u>	<u>182,180</u>	<u>162,268</u>	<u>84,679</u>	<u>678,453</u>
Total net assets at June 30, 2009	<u>\$ 350,293</u>	<u>\$ 255,519</u>	<u>\$ 221,299</u>	<u>\$ 168,470</u>	<u>\$ 995,581</u>

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
NOTES TO FINACIAL STATEMENTS
JUNE 30, 2009 AND 2008

5. Net Assets - (Continued)

	<u>Hartley</u>	<u>Paullina</u>	<u>Primghar</u>	<u>Sanborn</u>	<u>Total</u>
Accrual basis net assets:					
Invested in capital assets	\$ 89,792	\$ 62,395	\$ 52,270	\$ 74,003	\$ 278,460
Restricted for debt service	161,230	112,035	93,855	132,880	500,000
Unreserved	<u>99,271</u>	<u>81,089</u>	<u>75,174</u>	<u>(38,413)</u>	<u>217,121</u>
	<u>\$ 350,293</u>	<u>\$ 255,519</u>	<u>\$ 221,299</u>	<u>\$ 168,470</u>	<u>\$ 995,581</u>

Net assets restricted for debt service consist of amounts required to be set aside by each city's bond resolution up to a maximum amount of \$500,000.

6. Post Retirement Benefits Other Than Pensions

The Agency's sick leave policy provides that any full-time employee who elects to take retirement on IPERS or Social Security and has completed 180 months or more of continuous service to the Agency shall be compensated for up to 120 days of unused sick leave or prorated to the number of years of employment.

This accumulated benefit obligation was \$92,947 and \$98,984 for the years ended June 30, 2009 and 2008, respectively. The discount rate used in determining the present value of the accumulated postretirement benefit is 6.00%.

7. Risk Management

The Agency is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Agency assumes liability for any deductibles and claims in excess of coverage limitations.

8. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

9. Significant Area Concentration Of Credit Risk

The Agency extends credit to its customers on terms no more favorable than standard terms of the industry it serves. The Agency's customers are located in the four member cities. The Agency's credit risks have been anticipated and management believes that adequate provision has been made for doubtful accounts.

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Members of Community Cable
Television Agency of O'Brien County:

We have audited the accompanying financial statements of Community Cable Television Agency of O'Brien County (the Agency) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 15, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described in the Schedule of Findings, we believe items (A) and (C) are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2009, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Agency's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Agency's responses, we did not audit the Agency's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the members and constituents of the Agency and other parties to whom the Agency may report. This report is not intended to be and should not be used by anyone other than these specified parties.

December 15, 2009

Hungelman, Putzier & Co.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

- A. Segregation of Duties - An important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated the activities of one employee act as a check on those of another. One person had control over each of the following areas for the Agency:

1. Accounting system - performance of all general accounting functions.
2. Receipts - collecting, depositing, journalizing, and posting.
3. Utility receipts - billing, collecting, depositing, posting, and reconciling.
4. Disbursements - preparing, recording, and reconciling.
5. Financial reporting - preparing, reconciling, and distributing.
6. Information system (computer usage) - performing all general accounting functions and controlling all data input and output.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the Agency should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - As to the concern about not having adequate segregation of duties among the employees in the aspect of internal accounting control, more than one person has control as follows:

1. The accounting system is the responsibility of the Office Manager and is overseen by the General Manager.
2. Receipts:
 - a. Cash and checks are verified and date-stamped by the Front Desk CSR.
 - b. Monies are given to the Office Assistant for posting to the customer account.
 - c. Office Assistant prepares the deposit
 - d. Office Manager posts to accounting system and deposits at bank.
3. Utility receipts:
 - a. Each office person does billing.
 - b. Each city and office person does collecting and payments are recorded. See No. 2 for Depositing and Posting.
 - c. Reconciling is done by the Office Manager using our CPAS accounting system and is reviewed by the General Manager.
4. Disbursements:
 - a. The Office Manager does preparation and recording. Then all disbursements are approved by the General Manager before final approval by the Board of Directors for The Community Agency.
 - b. Reconciling is done by the Office Manager using our CPAS accounting system and is reviewed by the General Manager.
5. All financial reporting is prepared by the Office Manager and is reviewed by the General Manager and the Board of Directors.
6. The computer usage is monitored and controlled by the General Manager.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

SIGNIFICANT DEFICIENCIES: (Continued)

A. Segregation of Duties - (Continued)

Conclusion – Response accepted.

- B. Electronic Data Processing Systems - During our review of internal control, the existing control activities in the Agency's computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the Agency's computer based systems were noted:

The Agency does not have written policies for:

- Ensuring that only software licensed to the Agency is installed on computers.
- Usage of the Internet.
- Personal use of computer equipment and software.

Recommendation - The Agency should develop written policies addressing the above items in order to improve the Agency's control over computer based systems.

Response - We are currently reviewing what policy needs to be implemented in regards to our software, Internet, and personal usage of computers. We hope to have a new policy in place before the next audit in 2010.

Conclusion – Response accepted.

- C. Financial Reporting - We noted that while management is capable of preparing accurate financial statements that provide information sufficient for the Board to make management decisions, reporting financial data reliably in accordance with U.S. generally accepted accounting principles (GAAP) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation - Obtaining additional GAAP knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable GAAP financial statements.

Response - The management of TCA acknowledges that we do not have a certified public accountant (CPA) on staff to create the financial statements required by GAAP (generally accepted accounting principles). We do rely on our auditor to make sure that we are in compliance with these standards. The Board of TCA may feel that it is necessary to employ a CPA to prepare the financial statements in this manner at some point.

Conclusion – Response accepted.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

1. Questionable Expenses - No expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.
2. Travel Expense - No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.
3. Board Minutes - No transactions were found that we believe should have been approved in the board minutes but were not.
4. Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa were noted.
5. Business Transactions - No business transactions between the Agency and Agency officials or employees were noted.
6. Telecommunication Services - No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.
7. Bond Coverage - Employees were covered by a surety bond during the year ended June 30, 2009.